

**Testimony of Christopher J. Brescia
President
Midwest Area River Coalition 2000 (MARC 2000)
Before the
Congressional Mississippi River Caucus
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Co-Chairmen Hulshoff and Boswell and members of the Caucus, it is indeed a pleasure for me to be with you today. Thank you kindly for the invitation to present MARC 2000's views and opinions on the allegations lodged by the Army Inspector General's report on the conduct of the Upper Mississippi Navigation Study. I might add, that this is the first Congressional forum that has allowed for a truly public and balanced review of the facts. We applaud your leadership of the Caucus.

Mr. Chairman, there are a few phrases that could aptly summarize my testimony. First, is "We told you so," then there's "Deja Vue" and finally there's "Where's the Beef." The sad part of this attempt at humor is that the American public has been sold a bill of goods and they continue to pay for more. And, in the meantime the wrong people have been admonished and the real perpetrator chuckles.

In my testimony today, I would like to first address MARC 2000's involvement in the Upper Mississippi Navigation study process, then our reaction to the Army Inspector General's Investigation, elements of the National Academy of Science report recently issued and offer some suggestions on where we go from here.

Upper Mississippi Navigation Study

Mr. Chairman, since 1992, I personally have been involved in virtually every aspect of the Navigation study. I personally have participated in probably 80% of the 34 public meetings held, most of the economic technical meetings held at least 3 times per year for seven years, most of the Governor's Liaison meetings held over 7 years, some of the environmental coordinating committee meetings and virtually all of the engineering technical meetings convened.

In some of these meetings, my role was to bring experts to the table to assist the Corps in understanding navigation concepts or economic implications. When industry opinions were sought, I facilitated the collection of confidential data for the economic teams benefit. MARC 2000's role always has been and is expected to continue to be a supportive one to help reach a set of credible conclusions and recommendations for Congress' consideration.

We watched Dr. Sweeney slowly attempt to create a new model that was to function based on spatial equilibrium theory (SEM). In retrospect, the Corps should never have used an active feasibility study of this magnitude and importance as a guinea pig for Dr. Sweeney's intellectual creativity. Starting from scratch, Dr. Sweeney's team spent millions of dollars trying to create a better mouse trap. Realizing he was running out of time, Dr. Sweeney hard wired his model so that it could produce results, but failed to tell anyone that the model he had was not the model he promised. In addition, without the data to run this model, he "invented" formulations and

assumed shipping practices that have not been substantiated or empirically tested.

Over a period of 6 years Dr. Sweeney periodically provided updates on his team's progress. His favorite line was "be patient, we'll get there." In retrospect, what he provided us was simply descriptions of SEM theory and how it worked-he didn't tell us that his model was no where close to being a SEM model. When independent reviews challenged his assumptions, he dismissed their notions or perhaps accepted some, but did nothing about them. It was not until early 1998 that Dr. Sweeney finally produced public results of his model analysis. The results were astounding and "counter-intuitive."

Mr. Chairman, I took precious time telling this story because one of the accusations levied against the Corps study process is that it does not provide sufficient opportunity for public input and independent peer review. In this study, that notion is the furthest from the truth. In fact, without the type of open process and scrutiny this study had, the public would never have been alerted to the gross miscarriage of justice we address today.

Stakeholder groups in the Mississippi Basin sought to understand why this model was producing results that were counter-intuitive to market patterns and therefore asked the Corps for a copy of Dr. Sweeney's model. We then retained a team of economic experts to pull that model apart and fully understand how it worked.

Between April 1998 and April 1999, MARC 2000 consultants provided the Corps economic team with critiques of Dr. Sweeney's model. At first, Dr. Sweeney ignored our criticisms. Then, when he was removed from his role as technical manager, his successors also discounted our critiques. In fact, Dr. Sweeney's affidavit suggests that the entire economic structure of the Corps of Engineers endorsed his model and approach. This in fact was not a true statement and documents exist to prove our point.

The documentation provided to Congress in March 1999 on this issue was forwarded by my organization, the National Waterways Conference and DINAMO. It was clear to all of us that this model would provide Congress with faulty information on the inland waterway system. That fact provided the impetus for the convening of the famed May 5 "Summit."

That meeting was attended by industry leaders in both the transportation sector and major shippers and producers of products moving on the inland system. At this meeting, our economic team would present for a second time, the model flaws. This meeting produced a second agenda identifying the issues of disagreement between our economic team and Corps' economic team. At a subsequent meeting, it became apparent to the Corps leadership that their economic team could not defend their model, that this model outcome was not based on data, but assumptions and that the results did not mirror real life traffic patterns.

Mr. Chairman, I would submit to you that this meeting was critical in reaching the decision-makers in the Corps of Engineers and became central to their realization that the "emperor had no clothes on," - that is their model was flawed and their assumptions were theoretical and untested.

In our view Mr. Chairman, the Corps leadership recognized that their model was broken and that they needed to fix the mess Dr. Sweeney had created-a mess that the National Academy of Sciences reveals is so inadequate that it should not be used in this feasibility study. Dr. Sweeney blew the whistle on his superiors' efforts to fix the flawed model he created. That's the bottom line.

Inspector General's Investigation

Enter the Army Inspector General. We take exception to the findings of this report for the following reasons.

First, if the Inspector General truly evaluated all the documentation provided in testimony, it is hard to understand how they could find fault with the District Commanders' alternative methodology for determining the N value, when he chose to use a data-based approach, rather than simply inventing a value based on theoretical assumptions. In fact, we should state for the record, that we disagree with this N value because it also flies in the face of what the NAS termed "inconsistent with historical data on shipper behavior," an appropriate means of testing theory.

Second, the notion that industry was provided "preferential treatment" in the process is truly ludicrous. Over the 9 years this study has been going on, there have been countless private meetings with members of the environmental community, industry and many others. Our original intent was not to publicly embarrass the Corps or its economic team. That is why we chose to periodically transmit the results of our economic critiques through proper channels to the District Commander or at public sessions of the Economics Coordinating Committee. We chose to go public in 1998 because Dr. Sweeney and the Corps economic study team either didn't understand the economic concepts in question or simply chose not to admit fallibility.

Just like in any process, we simply took the issue to a higher authority until someone could satisfactorily explain to us why our critiques were not correct. In the meantime, we are still trying to figure out "where the beef was" challenges to the Corps' attempts to rectify flaws in their study's calculating tool. The attacks alleging "cooked books" were generated through complicitus action between Dr. Sweeney and national environmental groups because Dr. Sweeney's original conclusions were altered when a data-based value for N was used and other variables were deemed inappropriate by internal technical review teams.

National Academy of Sciences

We never really heard from the Corps' economic team, but just recently we did hear from the National Academy of Sciences. This is where we could say, "We told you so."

Allow me to quote from page 3 of the report:

"The ESSENCE model (Dr. Sweeney's model) does not, however, adequately use the most important concepts of the spatial equilibrium model that were advocated in the draft feasibility study."

This statement mirrors those made by our economic team, that we were promised a SEM model, but were given something quite different, but were told it was a SEM model.

The NAS report continues on page 33:

"Indeed, the shortcomings are so serious that the current results from the export forecasting model and the empirical ESSENCE model (used to model waterway traffic, levels of congestion, and changes in shipping rates) should not be used in the feasibility study.

This is quite a damning statement but tracks with MARC 2000's economic teams criticisms as well. We kept indicating that the results of this model's calculations did not mirror market shipping patterns. When a 12% decrease in barge rates indicated that all the corn grown in the country would be shipped down the Mississippi River, we could only wonder why simple common sense would not cause anyone to question their model.

Finally, on page 40, the NAS report comments about the famed N value, that:

"Although the reasoning is elegant, some of the assumptions used are not realistic.... Theoretical issues aside, the important issue is that the Corps made no effort to assure that its assumptions about N were consistent with historical data on shipper behavior. Studies based on actual shipper behavior suggest that, contrary to the ESSENCE model, price responsiveness of freight demand varies greatly by commodity and by location."

The underpinning of N were central to reducing benefits of navigation in half. These points were repeatedly made to the Corps' economic team, but brushed aside as self-serving. In fact, the NAS report continues to explain why N is not an appropriate formulation, especially since there was no data to support it.

This is remarkable, Mr. Chairman. Every key point we made to Dr. Sweeney and to his economic team have been confirmed by a group of independent economists. So, we ask, what was this whistleblower accusation about? Clearly, this is an issue of ego and arrogance by one man, rather than inappropriate behavior by an agency and its leadership.

Over the first six years of this study I had developed a good relationship with Dr. Sweeney. It was, and likely still is, his belief that no one in the Corps was up to his caliber of expertise. Dr. Sweeney created a flawed tool, would not consider that he was wrong, and in the face of being removed from his post, struck back at the agency who dared to try to "fix" his creation.

Dr. Sweeney owes Col. Mudd, General Anderson, General Fuhrman and the American taxpayer an apology for wasting millions of dollars and not having the intellectual honesty to admit he had tried, but failed!

In 1998, he willingly and knowingly publicly presented flawed model results that he knew were calculated by a model he claimed was a SEM, but was not. Dr. Sweeney knowingly presented results from an incomplete model, without empirically testing his model that could influence his

Agency's recommendations affecting this nation's economy and society. This was indeed the height of arrogance.

It's time for Congress to blow the whistle on this waste of the taxpayer's money!

Mr. Chairman, this is what we know:

- 1) This model needs to go back to the drawing boards. In our minds, this type of model-creating effort should have been conducted in the research phase before being applied to real world situations. That's usually what's done on the engineering side of the Corps, why should economics be any different.
- 2) Dr. Sweeney deceived the Corps, deceived the public and likely his own colleagues in his economic circles. These actions don't deserve accolades, but serious investigation.
- 3) We don't have another 3-5 years to fully develop this model. The Corps needs to refer to market-tested models used in the past and adapt for those special circumstances involving the movement of grain. We urge you to put an end to this exercise and mandate completion of this report by June 2002.
- 4) Our competition is laughing all the way to the bank! While we study and argue over economic models, they build their transportation systems to rival ours and take away our markets. Why bother negotiating treaties to open world markets when we can't get our products out of the country or benefit our consumers with inbound movements of bulk commodities.
- 5) It's time for a national debate on the values of the waterway system. While we applaud the NAS critiques of Dr. Sweeney's model, we disagree that the types of alternatives suggested ought to be put in place in the interim. Congestion tolls, and locking permits simply add cost to the system or move traffic off the river.
- 6) This national debate needs to review the economic, social and environmental consequences of shifting freight from the river, where it is largely out of harms way, to the roads and rails that run through our communities.
- 7) Enough is enough. Produce a credible report with the time left and let the public debate begin.

Mr. Chairman, thank you for the opportunity to tell our side of the story.